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Will Sky Habitat price cut nudge others? CapitaLand will relaunch the Bishan project priced from \$1,370 psf

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AMID mounting pressure from upcoming condominium launches, at least one condo project will be re-launched at lower prices. CapitaLand's Bishan project Sky Habitat will start at \$1,370 per square foot (psf) on April 19, says a promotional pamphlet from one of its marketing agents, Knight Frank.

This is a drop from two years ago, at the project's first launch, when prices ranged from \$1,435 to \$1,893 psf. The average selling price then was said to be about \$1,650 psf, after taking into account the initial 3 per cent discount given to all buyers. It was what gave this development designed by Moshe Safdie the reputation of being the most expensive suburban condo here.

Only 36 per cent of its 509 units have been sold, as the project nears TOP (temporary occupation permit) next year. With the re-launch, a one-bedroom cum study could start from \$1.05 million or \$1,485 psf, down from about \$1,600 psf previously.

This is not the first time CapitaLand has pared prices for its residential projects; it did so for Interlace in Alexandra and D'Leedon in the former Farrer Court Estate. Its latest move has, however, set observers thinking about whether others will follow suit.

SLP International executive director Nicholas Mak said that the repricing reflects the "new market reality", as developers anticipate new competing launches soon. "If it does not do something to increase sales or the rate of sales, it will end up getting stuck with unsold units as the project nears completion."

But Christine Li, head of research and consultancy at OrangeTee, believes that drastic price cuts are unlikely. "Developers have made enough profits in the last few years and so are in no hurry to do so."

Prices are more likely to be cut for high-end projects because of waning demand, but mass-market projects should hold up well, she added.

Other analysts said that larger developers have more holding power for unsold inventory than smaller developers, so the fact that CapitaLand is among the first to re-launch a project at tamped-down prices comes as a surprise. CapitaLand is developing Sky Habitat with Mitsubishi Estate Asia and Shimizu Investment (Asia).

DBS Group Research analyst Lock Mun Yee said that it was unlikely that CapitaLand would need to do any write-downs on the project, though margins could be affected if the average selling price falls. Her estimated breakeven price for the project was in the "low \$1,300s". "They've already locked in a portion at higher prices, so they don't need to take the drastic action of writing it down. Asset turnover is also an important consideration. You don't want to sit on inventory."

Mr Mak said that the repricing is not an issue of holding power, but is in line with the "conveyor belt" strategy to move sales in both good times and bad, which tends to pay off in the long run.

Sky Vue, CapitaLand's adjacent project, has sold close to 70 per cent of its 694 units since its launch last September; its 2013 average price was \$1,500 psf and its median price in February was \$1,457 psf.

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